



City of Newport Beach

OFFICE OF THE CITY MANAGER
Dave Kiff, City Manager

November 2010

Dear Neighbors,

Before we get too far into fall, I wanted to take another opportunity to check in on a number of important happenings in and around the City. As always, I appreciate the time you take to read my newsletter.

City Budget

I'm once again reminded of Ronald Reagan's "cautious optimism" when I look at the local economy and how it is affecting City of Newport Beach revenues. Retail and hotel use is up modestly from last year. This means hotel bed tax and sales tax revenues are coming in slightly higher than projected. The increase is small, but a good indicator that the economy may finally be moving in a better direction.

The City ended a very challenging 2010 fiscal year (our fiscal year runs July 1 – June 30) "in the black" and without using any reserve funds (savings). In fact, the reserves are now at the highest level they have ever been. Similar to a personal savings account, these funds are set aside for specific, future uses and emergencies. While there is reserve money set aside for serious financial crises, we would only use it when all other budget balancing methods have been exhausted.

For that reason, we solved last fiscal year's \$8 million budget deficit by reducing our staff size through early retirements, consolidating certain functions, and cutting costs across the board. We also raised some parking fees. Balancing the budget was critical, but we didn't want the changes to significantly impact the level of service provided to the community. It wasn't easy, but I think we have, thus far, been able to do so (please see the Citizen Satisfaction Survey section below for details). Our current budget, for the 2011 fiscal year, is \$18 million lower than last year's budget. There's more work to do and we will continue to identify areas to reduce costs, consolidate service areas, or contract with the private sector to reduce immediate and long-term expenses.

Citizen Satisfaction Survey

Thank you to those who gave their time and opinions when recently contacted by the private firm retained to conduct the City's second Citizen Satisfaction Survey. The information gathered enables us to compare the 2007 survey results with the 2010 results and gauge how our organization is performing. The survey included questions about a variety of City services and programs, as well as how we communicate with you.

Interestingly, while the mood of the nation is gloomier in 2010 than it was in 2007, satisfaction with City programs and services increased. Newport Beach was one of very few cities tracked by our consultant that saw improvement. When compared to the 2007 survey results, the 2010 survey showed that Newport Beach improved in 47 of the 76 service areas measured, and didn't have a significant decrease in any area. The survey also shows that we improved the most in our code enforcement and communication indicators, which is heartening because we took specific action to improve each of these programs after the 2007 survey results came in.

To read the entirety of the survey report, please visit www.newportbeachca.gov/citizensurvey. I'll write more about the survey results in my next newsletter.

John Wayne Airport Settlement Agreement (JWA)

In early 2011, the City will begin discussions with the County of Orange regarding extending the John Wayne Airport Settlement Agreement. As most residents are aware, the agreement set airport passenger caps and placed limits on the average daily departures of the loudest commercial jets from JWA. The current agreement expires in 2015, but we need to start discussions about extending the agreement with the County now. The nighttime curfew, which limits the hours of airport arrivals and departures, is another very critical protection for our community.

If you are interested in following or participating in our local aviation issues, please consider joining community groups like the Airport Working Group or Air Fair, or attending the City's monthly Citizens Aviation Committee meeting. Please visit www.newportbeachca.gov/airport for more information.

Traffic Improvements

The City's contractor is finishing the widening of San Miguel between Avocado Avenue and MacArthur Boulevard. It's on time and under budget. The project adds a left turn lane onto MacArthur from San Miguel to help alleviate congestion at the intersection.

The City's Task Force on Cycling Safety made a number of recommendations including looking at those City streets where cyclists and drivers struggle to interact. In response, we recently placed "sharrows" along a section of Bayside Drive. Sharrows are pavement markings intended to help reduce the chance of bicyclists colliding with open doors of parallel-parked vehicles and to alert drivers of the likely presence of bicyclists. Drivers must respect the cyclists' right to be on our streets. However, as an avid cyclist myself, I am well aware that bicyclists also need to be respectful, comply with all traffic controls, and ride safely with the flow of traffic. The sharrows are a start. We have some other improvements to make and a lot of reminding and educating to do for both drivers and cyclists. I like the "Same Rules, Same Rights, Same Road" slogan that some cities have adopted.

Rebuilt OASIS Senior Center Now Open - 801 Narcissus

The rebuilt OASIS Senior Center re-opened earlier this month and I encourage you stop in and see it when you are in the neighborhood. Thanks to good project management, the new center opened slightly ahead of schedule and about \$5 million under our original cost estimates. It's a wonderful facility and a terrific resource for our seniors. The center offers classes, programs, events, and most importantly, staff and volunteers to help seniors navigate a variety of issues. Please call 949-644-3244 for more information.

Civic Center Project Update

The Civic Center project will continue to get a lot of attention due to its timing (economic recession) and the heightened scrutiny now given to public-sector salaries and spending. That attention is important and I expect it will continue to lead to good discussions and good decisions. To that end, I plan to continue to provide regular project updates, share questions posed by residents, and gently rebut any inaccurate project information that may be circulating through town. I would like to bring you up to date on three areas of the project – the progress made, our position on contracting work to the private sector, and costs.

Project Progress -The site excavation work is nearing completion and construction of the first facility on the site, the parking structure, should begin soon. The parking structure construction bids were received in July and the City Council approved the selection of the lowest bidder, Bomel Construction, in September. Bomel's \$6.37-million bid was \$1.65 million less than the City's April 2010 cost estimate for the parking structure and \$4.65 million less than initial estimates prepared in late 2009. These figures illustrate our conservative estimating and the current construction bid climate. Labor and material costs are way down. Locking in bids now could shave 15 – 30% off our overall cost estimates.

Next up, the bids to build the library extension, city hall building and the park will be due in December and will be presented at a Council meeting in early 2011. If approved, construction of those components is currently scheduled to begin as soon as February 2011.

Private Sector Contracting - Like the OASIS rebuilding, a project of this size and scope should be managed by people with expertise in large and multi-faceted projects. We retained a private-sector firm that handles this type of project routinely, C.W. Driver. Driver acts like a general contractor on the project, and the firm's contract will increase (as it's intended to) as they fold subcontractors under their agreement with the City. It works like this: We hire C.W. Driver to manage the project. Together, we open bids in public for the various components of the project. The winning low bidder for each sub-trade (steel, glass, landscaping) is hired by C.W. Driver to do the work, and the City folds that cost and that job into Driver's contract. These costs are a public record as the City Council must approve each amendment. These are not add-ons or change orders, they are the projected costs being folded into our agreement with Driver. Driver earns more via an incentive if the work is done on time and under budget. They pay a penalty if it does not.

We also recently hired a private firm to "plan check" the project. We have that expertise in-house, but opted to contract the work for three reasons – the contractor has an office in San Francisco, near the project architect; the firm's assistance will ensure that City staff time and attention is not diverted from our customer's projects (your plans and projects awaiting approval); and to ensure that the Civic Center project stays on schedule to enable the City to meet the Build America Bond application deadline. Successfully securing those bonds would save about \$6 million (net present value) in project costs. That savings alone is worth hiring a private firm to plan check the project.

Project Costs & Affordability - Newport Beach is among the most fiscally conservative cities in the nation. The way we project revenues, spend money, invest, and save puts us in an elite group of public agencies. Our bond ratings prove it. Moody's Investor Service, Standard & Poor's, and Fitch Ratings have all assigned the City an AAA credit rating, the highest possible underlying agency rating that makes Newport Beach only the fifth city in California, and the only city in Orange County, to receive the AAA rating from all three agencies.

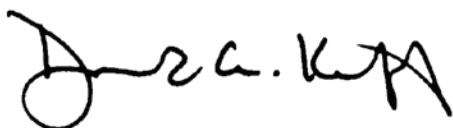
The agencies also assigned to the City's proposed bond issue, the 2010 Certificates of Participation (COP) Series A & B the highest COP rating achievable. Standard & Poor's and Fitch assigned an AA+ rating and Moody's assigned its Aa2 rating. What does that mean? The City organization is financially strong, its financial management practices are solid, and Newport Beach can be relied upon to pay what it owes. The City has never carried much debt in relation to our overall budget and it never will. The City Council adopted strict policies and a facilities financing plan that shows exactly what the City plans to build over the next two decades and how it will pay for those parks and buildings. The bottom line is that the General Fund portion of the payment to any debt incurred to finance these projects will never exceed five percent of the City's General Fund operating budget. Five percent. Contrast that to a home mortgage which can equal about a third of a household's budget.

Now, back to the costs. Counting the two parks, the library expansion, the city hall, the parking structure, the excavation, and all of the design and management costs, I believe the final construction cost will be about \$105 million. The city hall component of the project will likely cost between \$45 and \$52 million to construct. These remain my best estimates for now because only two of the five major project components have been put out to bid. Bids for both of those (the grading and the parking structure) came in much lower than our estimates. Bids for the remaining three components are due in December and will then set the final price of the project. The City Council has the ability to withhold any project element if it feels a bid is too high. If the bids come in where expected, please be assured that the City can afford this project without compromising other projects and services. Please visit www.newportbeachca.gov/civiccenter for more information about the project.

Survey Enclosed

Enclosed is a brief water quality and water use survey. Our goal is improve our programs and get a better understanding of how you feel about ocean water quality and using water efficiently in and outside your home. Should you wish to complete this survey online, please visit www.cleanwaternewport.com. We would appreciate your participation.

Have a safe and enjoyable November and December.

A handwritten signature in black ink, appearing to read "Dave Kiff". The signature is stylized with a large, looped "D" and a cursive "Kiff".

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